

Message Text

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PAGE 01 SANTIA 00564 251654Z

ACTION EB-08

INFO OCT-02 ARA-10 ISO-00 INT-05 GSA-02 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-06 CEA-01 L-03 DOE-11 SOE-02 /103 W

-----007915 251734Z /47

P R 251456Z JAN 78

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 7945

INFO AMEMBASSY LIMA

AMEMBASSY LA PAZ

AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

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EO 11652: NA

TAGS: EINV, EMIN, CI

SUBJ: EXXON BUYS LA DISPUTADA MINE

REF: SANTIAGO 10311

1. SUMMARY. EXXON HAS BOUGHT A \$100 MILLION DOLLAR COPPER MINE INTO WHICH IT EXPECTS TO POUR ANOTHER \$1.1 BILLION DOLLARS. END SUMMARY.

2. EXXON MINERALS INTERNATIONAL HAS SIGNED A SERIES OF CONTRACTS WITH GOC BY WHICH IT HAS BECOME OWNER OF COPPER MINE OF LA DISPUTADA, NEAR SANTIAGO. THE FOREIGN INVESTMENT CONTRACT ON BEHALF OF GOC WAS SIGNED BY FINANCE MINISTER SERGIO DE CASTRO. A SEPARATE AGREEMENT WITH ENAMI (SMALL/MEDIUM SIZED MINE ENTITY OF GOC) TO PURCHASE ENAMI MAJORITY SHARE INTEREST IN LA DISPUTADA WAS ACCOMPANIED BY PAYMENT OF 80 PERCENT OF AGREED PURCHASE PRICE (ROUGHLY \$82 MILLION DOLLARS). BALANCE MUST BE PAID WITHIN 90 DAYS (HOPEFULLY WITHIN 45 DAYS TO AVOID INTEREST CHARGES)

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PAGE 02 SANTIA 00564 251654Z

AND WILL BE BASED ON NET WORTH OF COMPANY RECALCULATED THROUGH DECEMBER 31. EXXON EXPECTS THAT NET WORTH WILL BE FOUND TO HAVE FALLEN SINCE AUGUST 31, DATE OF LAST RECALCULATION, BECAUSE OF RAPID DETERIORATION OF MINE. ROUGHLY 500 PRIVATE SHAREHOLDERS WILL BE PAID OFF IN THIS FINAL INSTALLMENT.

3. EXXON HAS TWO YEARS IN WHICH TO EVALUATE ITS PURCHASE. IT

THEN, ACCORDING TO RESIDENT VP GASSMAN, EXPECTS TO INVEST ANOTHER \$1.1 BILLION IN MINE OVER COURSE OF NEXT 5-7 YEARS IN ORDER TO RAISE YEARLY PRODUCTION CAPACITY FROM PRESENT 37 THOUSAND METRIC TONS TO 80-90 THOUSAND MT. GASSMAN IS OPTIMISTIC THAT UPCOMING SURVEYS WILL BE IF ANYTHING EVEN MORE PROMISING THAN PRESENT VERY COMPLETE DATA. ON THAT ASSUMPTION, EXXON IS MOVING DIRECTLY TO FULL STAFFING WITHOUT AWAITING RESULTS OF NEW SURVEYS. AN INDICATION OF IMPORTANCE TO EXXON OF THIS INVESTMENT, THE PRESIDENT OF NEW COMPANY WILL BE JOHN FINDLEY, UNTIL RECENTLY VICE-PRESIDENT AND DIRECTOR OF ESSO INTER-AMERICAN, WITH RESPONSIBILITY FOR MEXICO, CENTRAL AND SOUTH AMERICA, AND CARIBBEAN.

4. COMMENT. GOC HAS UNLOADED A MINE WHICH WAS RAPIDLY GOING DOWNHILL AND LOSING MONEY. NEITHER THE GOC, NOR PRIVATE CHILEAN CAPITAL, WOULD HAVE HAD THE RESOURCES TO EXPLOIT IT PROPERLY. MOREOVER, THE GOC HAS GAINED THE PRESTIGE OF AN INVESTMENT BY THE LARGEST U.S. MULTINATIONAL CORPORATION, AT A TIME WHEN ITS RELATIONS WITH THE USG ARE AT A LOW POINT. OTHER INVESTORS SHOULD BE ENCOURAGED BY EXXON'S MOVE. FOR ITS PART, EXXON, LIKE OTHER PETROLEUM COMPANIES, IS LOOKING TO MINING AS A LONG-TERM USE OF ITS OIL EARNINGS. FOR LA DISPUTADA, EXXON WAS WILLING TO PAY TOP DOLLAR, MORE THAN ANY POSSIBLE COMPETITION, AND WAS THE ONLY MINING COMPANY READY TO BID WITHIN THE VERY SHORT DEADLINE SET BY GOC.

LANDAU

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PAGE 03 SANTIA 00564 251654Z

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Message Attributes

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Disposition Action: RELEASED
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Disposition Case Number: n/a
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